GOVERNMENT OF INDIA
SHIPPING, ROAD TRANSPORT AND HIGHWAYS
LOK SABHA

STARRED QUESTION NO:117
ANSWERED ON:05.03.2008
SUBSIDY TO SHIP BUILDING INDUSTRY
Pathak Shri Harin

Will the Minister of SHIPPING, ROAD TRANSPORT AND HIGHWAYS be pleased to state:

(a) the norms/criteria fixed for grant of subsidy to ship building industry in the country;

(b) the details of the subsidy granted to various shipyards during the Tenth Five Year Plan, shipyard-wise;

(c) the details of proposals pending with the Government for grant of subsidy and the reasons therefor;

(d) whether there is any proposal to discontinue the grant of subsidy to ship building industry in the country; and

(e) if so, the details thereof and the reasons therefor?

Answer

MINISTER OF SHIPPING, ROAD TRANSPORT AND HIGHWAYS (SHRI T.R. BAALU)

(a) to (e): A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (e) OF THE LOK SABHA STARRED QUESTION NO.117 TO BE ANSWERED ON 5TH MARCH, 2008 RAISED BY SHRI HARIN PATHAK, REGARDING 'SUBSIDY TO SHIP BUILDING INDUSTRY'

(a): The Shipbuilding Subsidy Scheme extended on 25th October, 2002 by the Government to all the shipyards, including private sector shipyards, expired on 14th August, 2007. The salient features of the expired scheme notified vide letter No. SY-12025/3/98-SBR dated 25th October, 2002 and guidelines issued vide letter No.SY- 12025/3/98-SBR dated 7th March 2003 are given in Annexure-1.

(b): The details of subsidy granted to various Shipyards during the Tenth Plan are given in Annexure-2.

(c): About 35 cases containing Shipbuilding subsidy applications from Central PSU, non- Central PSU and Private Sector Shipyards, for grant of in principle approval for Shipbuilding subsidy are pending. In principle approval could not be granted by the Ministry before the expiry of the scheme for the above mentioned cases due to necessary clarifications, lack of sufficient supporting documents, late response of the Shipyards etc. As per the guidelines, private sector shipyards are eligible for grant of subsidy only after delivery of the vessel, details whereof are to be provided by the Shipyards.

(d) & (e): Proposal for revival of the shipbuilding subsidy scheme is under consideration.

ANNEXURE-1

ANNEXURE-1 REFERRED TO IN REPLY TO PART (a) OF THE LOK SABHA STARRED QUESTION NO.117

THE SALIENT FEATURES OF EXPIRED SHIPBULDING SUBSIDY SCHEME

1. Shipbuilding subsidy on domestic order

Shipbuilding Subsidy of 30% on domestic order is admissible subject to the following conditions :

(i) Shipbuilding Subsidy will be payable for domestic orders obtained on global tender basis only

(ii) Subsidy will be payable only for Ocean going vessel as defined in Section 3(41) of Merchant Shipping Act, 1958. The vessel would be a merchant vessel of minimum 80 metres in length.

(iii) Subsidy will be calculated on the price at which the Indian Shipyard has won a global tender. Fixation of price for domestic order will be in terms of relevant foreign currency and payment at each stage will be made in instalments to the Central and non-Central

Public Sector Shipyards at market determined parity rate of foreign exchange prevailing on the date of actual payment. Release of subsidy will be as per stage payments agreed in the contract. Subsidy will be payable on the price at which the tender was won and will not take into account any subsequent escalation. In the case of private sector shipyards, the principle followed will be the same except that the subsidy will be released only after delivery of the vessel.

2. Shipbuilding Subsidy on Export Order

Shipbuilding subsidy of 30% on export order under the scheme would be admissible on each export order irrespective of type and size of vessel. It will be admissible for orders obtained whether on tender or negotiated basis and it would be admissible subject to the following conditions :

(i) Subsidy will be calculated on the price at which the Indian Shipyard has won a global tender.

(ii) Where the price of the vessel is negotiated, the reasonableness of price would be determined by the Director General (Shipping), Mumbai, according to the procedure laid down in paragraph 2 of Guidelines hereunder. The subsidy would be admissible on the contracted price or the price as certified to be reasonable, whichever is less.

3. In principle approval regarding eligibility of shipbuilding subsidy has to be obtained by Shipyards from the Ministry before claiming subsidy.

4. Subject to availability of budget provision and satisfying the conditions laid down in the subsidy scheme, the administrative Ministry (Ministry of Defence in case of Defence Yards and Ministry of Shipping in case of other Indian Yards) shall release the subsidy to the Shipyard concerned.

5. The Scheme was valid till 14th August, 2007 from the date of notification.

ANNEXURE-2

ANNEXURE-2 REFERRED TO IN REPLY TO PART (b) OF THE LOK SABHA STARRED QUESTION NO.117

Subsidy granted to various Shipyards during the Tenth Plan

(Rupees in Crores)

Name of Shipyard	2002-03	2003-04	2004-05	2005-06	2006-07
Hindustan Shipyard Limited	-	-	-	50.53	40.52
Cochin Shipyard Limited	25.37	10.00	15.00	51.00	70.00
Total	25.37	10.00	15.00	101.53	110.52